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Prime Minister's schedule, August 20

NIKKEI (Page 2) (Full)

August 21, 2007

Morning

Attended a welcome ceremony held at Presidential Palace in Jakarta, Indonesia. Had a summit with President Yudhoyono. Met with representatives of an economic mission. Attended a signing ceremony for an economic partnership agreement and a joint statement. Held a joint press conference.

Noon

Paid a courtesy call on Vice President Kalla at the Vice Presidential Palace. Had a luncheon with representatives of business world at Grand Hyatt Hotel.

Afternoon Attended a Japan-Indonesia business forum. Delivered a

speech at Intercontinental Hotel.

Night

Attended a dinner party hosted by the president at the Presidential Palace. Stayed at Hotel Nikko Jakarta.

4) Prime Minister Abe expresses "spirit of care and share" in speech in Jakarta

MAINICHI (Page 2) (Full)
August 21, 2007

Yudai Nakazawa, Jakarta

Visiting Prime Minister Shinzo Abe yesterday evening (night of that day, Japan time) delivered a speech at a hotel in Jakarta. In the speech, he referred to relations with the Association of Southeast Asian Nations (ASEAN), which has marked the 40th anniversary of its foundation, and declared, "We'd like to walk together in the spirit of care and share." He indicated that the Japanese government would

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actively work to redress intra-ASEAN disparities, for instance, by making good use of economic partnership agreements.

Abe praised ASEAN by saying, "It is about to make a fresh start under the slogan of fundamental values, such as the rule of law and respect for human rights." He called ASEAN a partner in terms of his "value-oriented diplomacy."

On the other hand, Abe mentioned the existence of disparities between least developed countries in the Mekong River Basin and major countries in ASEAN, by noting, "Disparities have yet to be removed fully." He indicated his intention to tackle (1) strengthening economic ties with the region through EPAs, (2) economic cooperation with Mekong River Basin countries, and (3) support for peace-building.

Speaking of measures against global warming, Abe pronounced: "We are going to establish a framework that will consider each country's circumstances. Protecting the environment is not contradictory to advancing economic growth." He appealed to ASEAN countries to take part in his proposal "Cool Earth 50," which suggests "halving the current levels of emissions of greenhouse gases by 2050."

When it comes to relations between ASEAN and Japan, in 1977 then Prime Minister Takeo Fukuda during his visit to Manila in the Philippines announced "Fukuda doctrine," which consisted of three principles: (1) not becoming a military big power, (2) building a mutual trust relationship, and (3) remaining in the position of a cooperator on an equal footing. While inheriting the Fukuda doctrine, Abe in the speech emphasized that relations with ASEAN have entered a new phase.

5) Gist of Abe's ASEAN policy speech

YOMIURI (Page 4) (Full)
August 21, 2007

The following is a gist of Prime Minister Abe's speech delivered yesterday in Jakarta over Japan's relations with the Association of Southeast Asian Nations (ASEAN).

ASEAN—since its establishment 40 years ago—has consistently been under the spirit of "care and share." Under this spirit, Japan will also walk together. Indonesia and Japan have similar traditions to help one another.

The foundation of our two countries' bilateral relationship dates back to 50 years ago when my grandfather, Nobusuke Kishi, who was Japan's prime minister at that time, visited Jakarta.

ASEAN has been making efforts to strengthen democratic values, maintain the rule of law, and respect human rights. ASEAN is working to draft its charter, and I welcome its sincere efforts. ASEAN is going to create a strong community based on a reliable foundation.

ASEAN is now about to embark on a new chapter while upholding fundamental values that the Japanese people consider to be important. This makes me feel a quiet excitement.

In an effort to dissolve ASEAN's intraregional disparities, Japan will cooperate on three points: utilizing the network of economic partnership agreements (EPA), assisting with the stable growth of countries around the Mekong Basin, and building peace.

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I hope that ASEAN will participate in the plan to stop global warming by 2050.

Japan's population is decreasing. As it stands, Japan will urgently need to open its society and market and improve its productivity for affluent stability. It is indispensable for Japan to expand its relationships with ASEAN and the rest of Asia.

Japan and ASEAN have now entered a stage to share issues and explore solutions together.

6) Prime Minister Abe asks for cooperation from Indonesia regarding North Korea

ASAHI (Page 4) (Full)
August 21, 2007

Kimitaka Nishiyama, Jakarta

Prime Minister Abe yesterday met with President Yudhoyono of Indonesia. In the session, he mentioned North Korea's nuclear ambitions and asked for cooperation from Indonesia, which has diplomatic ties with North Korea, telling the president: "The six-party talks have already begun discussing the next phase (of disabling the existing nuclear facilities). In order to accelerate the move for the denuclearization of the North Korea, I would like your cooperation."

In response, Yudhoyono indicated he would be positive about working together, telling Abe: "We hope the abduction issue will be settled at an early date. We'd like to contribute to resolving various issues." Abe also stated: "I'll normalize diplomatic ties by actively tackling (the resolving of the issues of) abductions, and nuclear weapons and missile development, as well as by settling the unfortunate past events."

7) Japan, Indonesia ink EPA; Securing LNG remains an issue for Japan, while Indonesia seeks expansion of direct investment

Asahi (Page 5) (Full)
By Yasuo Awai and Tatsuya Daikei

Jakarta - The Japanese and Indonesian governments, on 20 August, signed an economic partnership agreement (EPA), whose centerpiece is the elimination of tariffs on approximately 92 percent of bilateral trade by value. Japan hopes to secure stable supply of energy resources, while Indonesia aims at expanding direct investments. However, the agreement's effectiveness remains an issue.

For Japan, Indonesia is the greatest supplier of liquefied natural gas (LNG). Under annual contracts, Indonesia is supplying about 15 million tons of LNG to Japan. Japan is relying on Indonesia for a quarter of the total demand. Because of declining production at Indonesia's main LNG facilities, however, Jakarta has decided to prioritize domestic supply. Although bilateral contracts to provide a total of 12 million tons will expire in and after 2010, it is expected that Japan will be able to renew contracts for LNG supply up to only 3 million tons.

The EPA has a clause about stable supply of energy and mineral resources, but it stipulates a lenient framework that only includes

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such things as swift notification of export control. Prime Minister Shinzo Abe stressed at the summit talks on 20 August that "stable LNG supply is the foundation of energy cooperation." On the other hand, President Susilo Bambang Yudhoyono avoided referring to specific amount of LNG to be supplied to Japan, although he said, "We would like to make it possible to continue LNG exports, while giving consideration to domestic demand."

Indonesia is expecting is greater direct investments from Japan. Such investments from Japan in 2005 reached only about \$1.2 billion, which was less than a third of that of the peak years. At an economic seminar in Jakarta, Fujio Mitarai, chairman of Keidanren (the Japan Business Federation), presented an outlook that Japan "plans to invest about \$7 billion in the energy and automobile fields in the next five years."

However, free trade does not necessarily lead to expanded direct investments. Toyota Motor Co. Chairman Fujio Cho has indicated: "Expanding investments for Indonesian factories is premised on an increase in exports to the other countries. To make that happen, it will be necessary to develop infrastructure that includes ports and roads."

8) Japan in negotiations on EPA with ASEAN to propose immediate end to tariffs on 90 PERCENT of imports, with rice as exception

NIHON KEIZAI (Top Play) (Excerpts)
August 21, 2007

During negotiations on concluding an economic partnership agreement, Japan will propose the Association of Southeast Asian Nations (ASEAN) immediately scrapping tariffs on at least 90 PERCENT of the industrial, agricultural and other products imported from the region in value terms, according informed sources yesterday. Under an EPA, it is common to gradually lower tariffs or increase tariff-free items over a period of about 10 years. But Japan aims to abolish the tariffs immediately, in a bid to catch up with China and South Korea, which have already concluded EPAs with ASEAN.

In the upcoming economic ministerial talks between Japan and ASEAN in the Philippines on Aug. 25, Japan aims to ink an agreement. If both establish an agreement, the details will be finalized at a meeting between Japanese and ASEAN leaders in November and then the pact will come into effect after approval is obtained at the Diet early next year. Japan expects to scrap tariffs on most items immediately after the agreement become effective. Japan has already concluded or is under negotiations with individual countries, such as Thailand and the Philippines, but an agreement with ASEAN would be applied to all 10 member countries.

Japan imports about 8 trillion yen worth of products from ASEAN annually, including such general machinery as electrical equipment and computer peripherals, as well as fruit. Coordination is underway on specific products to be made duty-free. Almost all industrial products, including textile products and tropical fruit - more than 90 PERCENT of all imports from the region in value terms - are expected to make the list.

Japan has imposed heavy duties - as high as several hundred percent - on rice, sugar and some other agricultural products, as high as several hundred percent. Japan intends to exclude these items from its list of duty-free products. ASEAN is also expected to place

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automobiles and some steel products outside the reach of the EPA. Japan and ASEAN agreed in their economic ministerial meeting this May to ink an EPA. In the meeting, Japan pledged to scrap tariffs on at least 90 PERCENT of imports in value terms, while major ASEAN countries agreed to abolish tariffs on 90 PERCENT within 10 years.

A comprehensive EPA with ASEAN is one of the main pillars in the concept of an East Asia Community being promoted under Japan's initiative. Japan's eagerness to abolish tariffs on imports from ASEAN stems from the judgment that an expansion of trade ties with the region would bring about positive economic effects.

9) Japan intends to cooperate with China on environmental technology for emission trading with business scale of billions of yen

NIHON KEIZAI (Page 1) (Excerpts)
August 21, 2007

The Japanese government will present a new set of proposals on environmental cooperation to the Chinese government, which has been suffering serious levels of air pollution. Japan will offer technology and financial aid to private-sector factories in China starting from next fiscal year so as to help China to reduce air pollutants and emissions of greenhouse gases. Japan in return will obtain emission credits for carbon dioxide (CO2) from China. By getting emissions credits from China, Japan, which has found it difficult at present to achieve the emission reduction targets set by the Kyoto Protocol, wants to bring its emissions close to the targets.

Environment Minister Masatoshi Wakabayashi will offer this new proposal to Chinese Minister and Secretary Zhou Shengxian of the Party Group of the State Environmental Protection Administration during a meeting with him slated for the afternoon of Aug. 21. China is expected to accept the proposal as it is imperative for it to take environmental measures against air pollution before the Beijing Olympics set for next August.

Japan will obtain emissions credits in accordance with the Clean Development Mechanism (CDM) approved by the Kyoto Protocol. This will be the first case of obtaining emissions credits with the government's initiative under the CDM.

10) DPJ to discuss permanent law for int'l contributions

MAINICHI (Page 5) (Abridged)
August 21, 2007

The Democratic Party of Japan (DPJ or Minshuto) decided yesterday to launch a panel called the "Comprehensive Security Affairs Research Commission" to discuss the advisability of creating a permanent law for Japan's international contributions. The DPJ will hold a preparatory meeting today. DPJ President Ichiro Ozawa is against the idea of extending the Antiterrorism Special Measures Law, and the DPJ will instead propose permanent legislation. The DPJ has been criticized for its "negative" stance toward international contributions. The party's legislative move is therefore aimed at dodging such criticism.

11) Diet execs to visit MSDF refueling unit

SANKEI (Page 5) (Full)

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August 21, 2007

Five lawmakers from the ruling and opposition parties will visit the United Arab Emirates (UAE) and Kuwait on a four-day schedule from today. They are on the House of Representatives Antiterrorism and Iraq Assistance Special Committee and include Yasukazu Hamada, who chairs the committee. The Diet, in its extraordinary session this fall, is expected to focus on the Antiterrorism Special Measures Law, which is to expire Nov. 1. The Diet delegation will therefore visit a Maritime Self-Defense Force squadron that has been engaging in the task of refueling US and other foreign naval vessels in the Indian Ocean under the law. In Kuwait, they will also visit an Air Self-Defense Force detachment that has been tasked with airlifts under the Iraq Reconstruction and Assistance Law.

12) Land, Infrastructure and Transport Minister Fuyushiba to be retained

MAINICHI (Page 1) (Full)
August 21, 2007

It was decided yesterday that Land, Infrastructure and Transport Minister Tetsuzo Fuyushiba will be retained in his current post in a reshuffle of the cabinet on Aug. 27. Prime Minister Shinzo Abe

accepted the request by New Komeito Chief Representative Akihiro Ota that Fuyushiba should be reappointed since he has served in his post less than one year. With his party's historic defeat in the July Upper House election, Abe appears to have determined that it would be necessary to accept the request in order to maintain a relationship of trust with the New Komeito.

13) Otsuji named LDP caucus head in Upper House; Displeasure expressed over selection of senior posts

MAINICHI (Page 5) (Full)
August 21, 2007

The Liberal Democratic Party's (LDP) caucus in the House of Councillors elected in its general meeting yesterday Hidehisa Otsuji, a former health, labor and welfare minister, as its chairman. Otsuji belongs to the Tsushima faction in the LDP. He launched the new executive, naming former Deputy Chief Cabinet Secretary Masaaki Yamazaki, a member of the Machimura faction, as

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secretary general. The first his job would be the securing of two

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cabinet posts, which will be reserved for the LDP caucus in the Upper House when Prime Minister Shinzo Abe reshuffled the cabinet on Aug. 27. As some lawmakers have already expressed their unhappiness with the selection of more Machimura faction members than other factions, a rocky path lies ahead for the Otsuji-led caucus.

"Since two cabinet posts were given to the Upper House caucus, I think we will get the two seats in the next cabinet," Otsuji stressed in a press conference yesterday. Compared with former Chairman Mikio Aoki, who stepped down from his post to take responsibility for the LDP's crushing defeat in the July 29 Upper House election, Otsuji undeniably is a lightweight, as he himself said, "I know my political skills are inferior to the successive chairmen.

Therefore, there is a rumor that the Upper House caucus may lose one cabinet seat.

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Aoki said: "We have thought that two members will join the cabinet, but the number of LDP members in the Upper House has decreased in the election." He indicated in his remark that there would be the possibility of only one Upper House member joining the new cabinet. He made the comment, aiming to indirectly support Otsuji.

The reason for some members expressing their displeasure with the appointment is that the influence of Aoki has now disappeared. Besides Yamasaki, Otsuji has informally named Deputy Chief Cabinet Secretary Seiji Suzuki, a Machimura faction member, as chairman of

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the Diet Affairs Committee. One member said: "It is outrageous that two of the three key seats will go to the Machimura faction."

When asked to recommend Otsuji to become chairman, former Education Minister Hirofumi Nakasone, a member of the Ibuki faction, whose name had also floated as a candidate for the chairmanship, firmly declined, saying, "I wonder why I should recommend him." This demonstrated Otsuji's lack of political clout in the party.

14) Shiozaki under fire for his office's double booking of spending

YOMIURI (Page 2) (Abridged)
August 21, 2007

A Liberal Democratic Party chapter, represented by Chief Cabinet Secretary Shiozaki, has covered up its office staff's misuse of

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political funds with duplicated receipts, sources revealed yesterday. There has been no end to money scandals involving the Abe

cabinet.

Prime Minister Abe is expected to shuffle his cabinet and the LDP's executive lineup on Aug. 27. However, one LDP lawmaker with the experience of a cabinet post says Abe would not be able to obtain public understanding if the prime minister retains Shiozaki in his shuffled cabinet with another post for him. The money scandal revealed this time will likely affect Abe in his cabinet and party lineup shuffle.

On Aug. 1, Abe sacked Agriculture, Forestry and Fisheries Minister Norihiko Akagi over his murky political funds. Akagi's local office had reported its political funds with photocopied receipts to doubly book its spending. A similar case has now been brought to light for Shiozaki's office. An executive of New Komeito, currently in office as the LDP's coalition partner, noted Shiozaki's managerial responsibility as a politician. LDP lawmakers are also critical of Shiozaki for his local office's money scandal. A leader of the Niwa-Koga faction noted Shiozaki's oversight responsibility as "inevitable." In the wake of the LDP's rout in this July's election for the House of Councillors, there is a growing sense of dissatisfaction from within the LDP against Shiozaki, who is the symbol of Abe's otomodachi naikaku or a get-together of friends in the Abe cabinet. There are now difficulties in store for Shiozaki.

15) Embezzlement by Shiozaki office staffer dampens Abe's effort to revamp his administration; Shiozaki may not win new cabinet post

NIHON KEIZAI (Page 2) (Excerpts)
August 21, 2007

The Abe administration was hit by yet another scandal. The embezzlement by a staff member of Chief Cabinet Secretary Yasuhisa Shiozaki's parliamentary office that came light yesterday has exposed

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the administration's failure to address properly the question of politics and money. The scandal poured cold water on Prime Minister Shinzo Abe, who aims to turn the tables. This would force Abe to raise the political and moral standards in reshuffling his cabinet and the executive members of his Liberal Democratic on August 27. Attention is focused on whether Abe will leave Shiozaki, who has been a symbol of his cabinet packed with his supporters, out of the new cabinet.

Shiozaki made a telephone call yesterday to an LDP executive and apologized: "Sorry for causing you trouble. LDP members are reexamining their (political fund reports). I too have reexamined mine, and have discovered the impropriety."

But being on his annual summer break, Shiozaki did not show up at the Kantei (Prime Minister's Official Residence) although he was reportedly in Tokyo. Around noon, he released a statement saying: "I myself am very shocked and find it regrettable that something like this has happened. I will deeply reflect on my responsibilities to manage and supervise and do my best to investigate the situation and prevent a recurrence."

16) Double-booking of office expenses: Another "politics and money" scandal hits Abe cabinet directly; Shiozaki's lax management criticized

MAINICHI (Page 2) (Excerpts)
August 21, 2007

With the revelation yesterday of the double-booking of office expenses in Chief Cabinet Secretary Yasuhisa Shiozaki's political funding report, another issue involving politics and money hit the cabinet of Prime Minister Shinzo Abe. Although political funds were embezzled by a staff member of Shiozaki's office, the double-booking of office expenses is the same case as that of former Agriculture Minister Norihiko Akagi, who was sacked by Prime Minister Abe after the July 29 Upper House election. Shiozaki, who failed to manage his own office even after the dismissal of Akagi, will come under fire.

With an eye on the upcoming reshuffling of the cabinet and Liberal

Democratic Party executive lineup, Shiozaki stated: "We were condemned by the public regarding the issue of money and politics. It is desirable for the next cabinet to do things appropriately." Therefore, the double-booking scandal will unavoidably affect his political career.

Last December, Genichiro Sata resigned as state minister in charge of administrative reforms over charges of misusing political funds. Former Agriculture Minister Toshikatsu Matsuoka committed suicide in May due to charges of huge utility fees for his office. Moreover, Akagi, who succeeded Matsuoka, was also dismissed over charges of misusing political funds.

To conceal the embezzlement, the staff member of Shiozaki's office in Ehime Prefecture double-booked 6.26 million in expenses registered in the office's campaign spending report of the LDP chapter of the Ehime No. 1 constituency. It was discovered immediately before his dismissal that Akagi's political management organization and the electoral district chapter attached the same receipt for mail fees in his political funding report.

In a press conference on Aug. 1 following Akagi's dismissal,

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Shiozaki stated: "Cabinet ministers should be role models for the public. In that respect, we must be especially careful about it."

17) 12 fund-management and political organizations connected with nine LDP lawmakers correct their funds reports ahead of upcoming cabinet reshuffle

YOMIURI (Page 2) (Abridged slightly)
August 21, 2007

Many fund-management organizations and political groups connected with Liberal Democratic Party lawmakers have begun correcting their political funds reports ahead of the reshuffles of the cabinet and LDP executive lineup, planned for August 27. According to the Yomiuri Shimbun's investigation, a total of 12 political organizations connected with nine LDP lawmakers under the jurisdiction of the Internal Affairs and Communications Ministry have corrected their funds reports this month.

The rush of corrections resulted from the party's order to its lawmakers to reexamine their funds reports for 2003-2006 based on the conclusion that the party's serious setback in the July House of Councillors election was partly brought about by a series of politics-and-money scandals involving some Abe cabinet ministers. Of the nine LDP lawmakers who corrected their reports, five were former cabinet ministers, and the remaining four have never taken up cabinet portfolios. Of the four, two are now serving in their sixth term in the Lower House -- the prime period for obtaining cabinet posts.

The fund-management organization of former Environment Minister Shunichi Suzuki filed a report yesterday to correct utilities fees for the year 2004 from the original 160,000 yen to 650,000 yen.

Former Senior Vice Health, Labor and Welfare Minister Kazuaki Miyaji's fund-managing body and two connected organizations corrected their funds reports on August 10. The fund-management body newly declared 50,000 yen in utility fees, 120,000 in supplies expenses, increased office expenses by 590,000 yen, and decreased organizational activity expenses by 990,000 yen for the year 2005. The body also corrected its reports for 2004 and 2003.

The fund-management organization of former Finance Minister Sadakazu Tanigaki declared 20,000 yen as utility fees from its office expenses for the year 2003. The fund-management body of Lower House member Yaichi Tanigawa corrected its 160,000 yen of utility fees to zero to increase its offices expenses for the year 2004.

Corrections were also made by the fund-management bodies or connected organizations of former Defense Agency Director-General Seishiro Eto; former Administrative Reform Minister Kazuyoshi Kaneko; former Health, Labor and Welfare Minister Jiro Kawasaki,

Lower House member Tsuneo Suzuki, and LDP Upper House Secretary General Masaaki Yamazaki.

In addition, the LDP branch in the Ehime Prefecture No. 1 Constituency, which Chief Cabinet Secretary Yasuhisa Shiozaki heads, corrected its funds report for the year 2005. As seen from this, political organizations under the control of the election administration committee of each prefecture have filed corrections. Further, former Agriculture, Forestry, and Fisheries Minister Yoshinobu Shimamura corrected on August 16 his yearly income reports

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for the year 2004-2006. There is a possibility that lawmakers will continue correcting their financial reports until shortly before the upcoming cabinet reshuffle.

Examples of corrections to political fund reports (for 2003-2005)

Seishiro Eto, former defense chief Both the fund-management body and a connected political organization declared 990,000 yen in political activity expenses.

Kazuyoshi Kaneko, former administrative reform minister Failed to declare 1.2 million yen as rent for the fund-management organization's office, which was provided by a relative for free of charge.

Jiro Kawasaki, former MHLW minister Failed to declare the unused election campaign fee amounting to 1.25million yen.

Sadakazu Tanigaki, former finance minister Failed to declare 20,000 yen in utility fees of the fund-management organization.
Kazuaki Miyaji, former senior vice MHLW minister Three connected organizations, including the fund-management body, failed to declare 50,000 in utility fees and 190,000 in labor costs.

Masaaki Yamasaki, Upper House secretary general Failed to declare 80,000 yen in rent for a supporters association and the fund-management organization that share the same room.

MESERVE